

Message Text

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ACTION SS-20

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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC PRIORITY 7991

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C O N F I D E N T I A L SANTIAGO 1609

DEPT FOR DONALDSON

EO 11652: GDS

TAGS: EFIN, IDB

SUBJECT: BILATERAL - SHULTZ-HURTADO ON UN GENERAL ASSEMBLY
ON ENERGY (UNGA)

1. UN GENERAL ASSEMBLY - SECRETARY SHULTZ BEGAN CONVERSATION
STATING PRESIDENT PEREZ HAD SUGGESTED HE MEET WITH MINISTER
HURTADO TO DISCUSS HOW THE TWO GOVERNMENTS COULD WORK TOGETHER
TO PRODUCE CONSTRUCTIVE RESULT AT UN GENERAL ASSEMBLY MEETING.
SECRETARY SAID IT WAS HIS THOUGHT THAT THE MORE WORK CONCEN-
TRATED ON FACTS AND ANALYSIS AND THE LESS ON POLITICS AND
OPINIONS, THE BETTER WOULD BE THE RESULTS. HE SUGGESTED THAT
DURING THE UNGA IT MIGHT BE AGREED TO SET UP TECHNICAL WORKING
GROUPS AND AS A FIRST STEP THE U.S. WAS READY TO WORK INFORMALLY
WITH GOV TO THIS END. HE ADDED THAT IF OTHER COUNTRIES WISHED
TO JOIN EFFORT TO PRODUCE SOLID ANALYSIS AND TO AVOID POLITICAL
CONFRONTATION THEY WOULD BE WELCOME.

HURTADO DID NOT SEEM TO BE FULLY CONVERSANT WITH SHULTZ-PEREZ
CONVERSATION BUT READILY AGREED THAT CONFERENCE WOULD BE
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DIFFICULT AND THAT THE U.S. AND VENEZUELA DELEGATIONS SHOULD

WORK TOGETHER INFORMALLY TO SEEK GOOD RESULT. HE SAID HE PERSONALLY WOULD RETURN TO CARACAS ONLY AFTER UN DELEGATION HAD LEFT BUT HE WOULD TELEPHONE PEREZ GUERRERO (OF UNCTAD FAME) WHO WOULD LEAD DELEGATION, INFORM HIM OF CONVERSATION WITH SHULTZ AND SUGGEST CONTACT BE ESTABLISHED WITH U.S. DELEGATION IN NEW YORK TO EXPLORE THE POSSIBILITY OF SETTING UP TECHNICAL GROUPS. HE ALSO MENTIONED THAT TWO VENEZUELAN EXPERTS IN EMBASSY WASHINGTON DEALING WITH ENERGY AND RAW MATERIAL SUPPLIES PROBABLY WOULD PARTICIPATE IN VENEZUELAN DELEGATION IN NEW YORK.

IN CONCLUSION, IT WAS AGREED THAT IF EITHER MINISTER AFTER REPORTING IN, HEAR MORE FROM THEIR RESPECTIVE CAPITALS THEY WOULD DISCUSS MATTER FURTHER.

2. VENEZUELAN FINANCING PROPOSAL - DISCUSSION OF VENEZUELAN PLAN TO CONTRIBUTE TO ESTABLISH NEW IDB TRUST FUND WAS MORE EXTENSIVE AND LIVELY. HURTADO GAVE SECRETARY SHULTZ COPY OF DRAFT RESOLUTION (SEE SEPTTEL) AND EXPLAINED THAT IN A MOMENT WHEN VENEZUELA HAD BOTH THE INCOME AND THE WILL TO CONTRIBUTE THEY HOPED TO ESTABLISH PRECEDENT OTHER LATIN COUNTRIES COULD FOLLOW IN CHANGING HIGH DEPENDENCE ON U.S. FOR IDB FINANCING. HE STRESSED POLITICAL DECISION TO INVEST OIL INCOME OUTSIDE COUNTRY HAD BEEN HARD ONE TO TAKE. GOV PURPOSE TO ESTABLISH TRUST FUND BUT IT WOULD BE MANAGED BY BANK DIRECTORS AND THERE WOULD BE NO VENEZUELAN VETO. THE MINISTER SAID LOTS OF PROBLEMS BEFORE IDB BUT THEY SHOULD NOT ALL BE APPROACHED AT ONCE. IMPLICIT IN HIS TONE WAS VIEW THAT EVENTUALLY U.S. VETO SHOULD GO BUT THAT HE NOT EXPECTING TO ACCOMPLISH THIS AT THIS TIME.

SECRETARY SHULTZ CALLED VENEZUELAN PROPOSAL HIGHLY "CONSTRUCTIVE IN GENERAL" BUT INDICATED DOUBTS ON TWO SCORES. FIRST, PROBLEM OF EXPORT PROMOTION PURPOSES OUTSIDE OF HEMISPHERE, AND THE GENERAL PROBLEM OF WORLD EXPORT COMPETITION IN VARIOUS FORMS, WHICH HE SAID NEEDS CAREFUL MULTILATERAL STUDY. SECOND, USE OF IDB AS COMPETITIVE EXPORT PROMOTION FACILITY COULD ENDANGER FUTURE FINANCING OF IDB (BY U.S. IMPLIED).

QUESTION OF WHAT LEGAL STEPS MIGHT BE NECESSARY TO PUT FUND INTO OPERATION WAS RAISED BY HENNESSY AND WILL BE EXPLORED FURTHER. VENEZUELANSE SEEMED TO BELIEVE VOTE OF GOVERNORS WOULD BE CONFIDENTIAL

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SUFFICE. HURTADO ALSO INDICATED SOME OF THE VENEZUELAN CONTRIBUTION (HOW MUCH WOULD BE DECIDED BY GOV) WOULD BE FOR SOFT LOAN USE. IT APPEARED, HOWEVER, THAT MOST OF THE MONEY WHICH VENEZUELANSE WOULD WISH TO INVEST OUTSIDE OF COUNTRY WOULD BE AT MARKET RATES; THEY ALSO CONFIRMED THE EXPORT FACILITY WOULD BE ON COMMERCIAL RATES NOT CONCESSIONAL.

BOTH SUBJECTS WERE TREATED IN LOW KEY AND MOST CORDIAL MANNER.

HURTADO INVITED SHULTZ TO REFLECT AND MAKE ANY SUGGESTIONS HE
MIGHT HAVE ON PROPOSAL STATING THEIR IDEA ON TRUST FUND WAS
STILL QUITE GENERAL AND WOULD NEED FURTHER PRECISION.
POPPER

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